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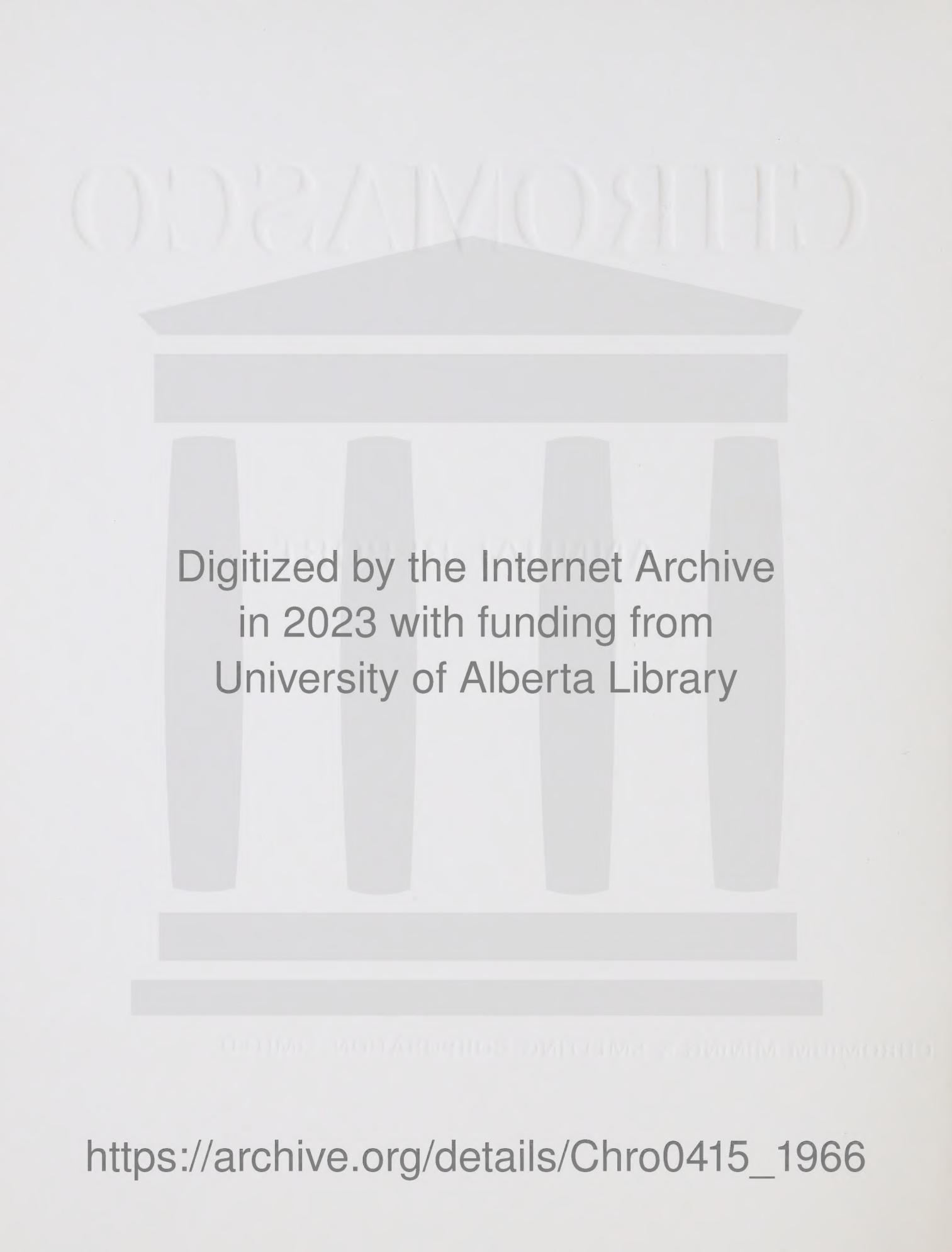
CHROMASCO

29th
ANNUAL REPORT
For the Year Ended April 30
1966

CHROMIUM MINING & SMELTING CORPORATION, LIMITED

CHROMASCO

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CHROMIUM MINING & SMELTING CORPORATION, LIMITED

TWENTY-NINTH ANNUAL REPORT

For the Fiscal Year Ended April 30, 1966.

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held in the Conference Room of the Bank of Montreal, Stock Exchange Branch, Place Victoria, Montreal 3, Quebec, on Monday, the 8th day of August, 1966, at 12:00 o'clock noon, (Eastern Daylight Saving Time).

CHROMIUM MINING & SMELTING CORPORATION, LIMITED

And Subsidiary Companies

NOÉ A. TIMMINS, Jr.
Chairman of the Board

J. THOMAS TIMMINS
President and General Manager

Officers JOHN E. L. DUQUET, Q.C.
Vice-President

R. G. NESBITT, C.A.
Secretary-Treasurer

NOÉ A. TIMMINS, Jr.
J. THOMAS TIMMINS
JOHN E. L. DUQUET, Q.C.
JULES R. TIMMINS
J. G. NOTMAN
R. S. POISTER
ALAN M. BADIAN, C.A.
HENRY M. MARX

Transfer Agents CROWN TRUST COMPANY
302 Bay Street, Toronto 1, Ontario
393 St. James Street West,
Montreal 1, Quebec

Head Office Sault Ste. Marie, Ontario

Executive Offices 3720 Place Victoria
Montreal, Quebec

General Counsel DUQUET, MACKAY, WELDON, BRONSTETTER,
WILLIS & JOHNSTON
Montreal, Quebec

Bankers BANK OF MONTREAL
Montreal, Quebec

Auditors RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants
Montreal, Quebec

FINANCIAL HIGHLIGHTS

	1966	1965
Net sales	\$20,125,372	\$18,441,894
Earnings before income taxes and special credit	\$ 1,585,166	\$ 520,977
Income taxes	\$ 876,893	\$ 269,049
Earnings before special credit	\$ 708,273	\$ 251,928
Net earnings and special credit	\$ 1,601,329	\$ 251,928
Current assets	\$ 7,059,301	\$ 5,918,244
Current liabilities	3,946,553	11,574,416
Working capital (deficit)	\$ 3,112,748	(\$ 5,656,172)
Expenditure for property, plant and equipment	\$ 275,500	\$ 344,923
Shares issued and fully paid at April 30 —		
Preference	32,500	—
Common	3,420,000	1,146,650

DIRECTORS' REPORT

To the Shareholders of CHROMIUM MINING & SMELTING CORPORATION, LIMITED:

The Board of Directors submits herewith the Twenty-ninth Annual Report of your Corporation and its subsidiary companies, together with the consolidated balance sheet and related financial statements for the year ended April 30, 1966, and the report of your auditors.

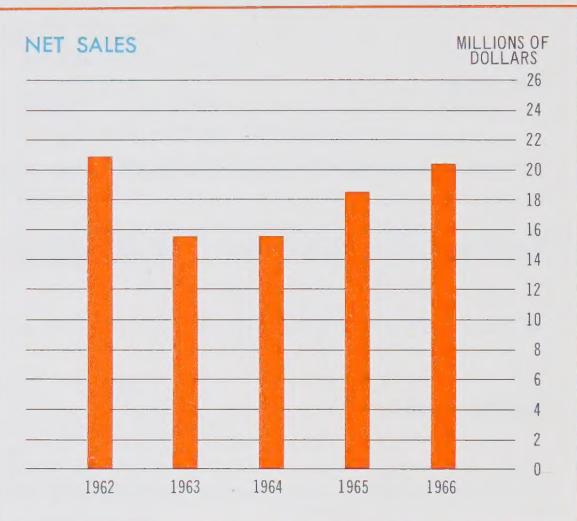
During the year ended April 30, 1966, Chromium Mining & Smelting Corporation, Limited and subsidiary companies experienced significant growth and achievement. The continued high level of business in the Canadian and United States steel industries and the improved operating efficiency of your Corporation's production facilities resulted in a substantial increase in net earnings. Major corporate and financial changes were made during the year which also affected the Corporation's earnings and financial position and which are dealt with in greater detail elsewhere in this report.

SALES

Consolidated net sales were \$20,125,372 compared with \$18,441,894 for the year ended April 30, 1965. Selling prices of ferroalloys remained stable throughout the year following modest price increases that were experienced during the latter part of the previous fiscal year.

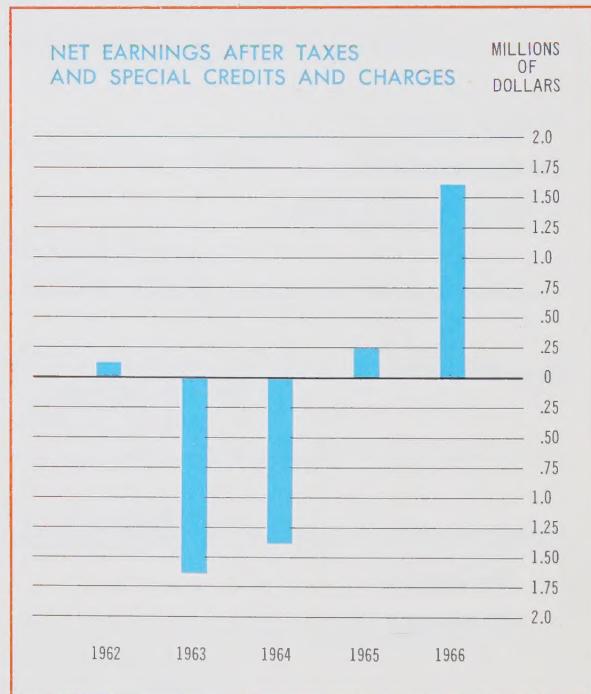
The current price level for ferroalloys remains substantially below that which prevailed in the late 1950's despite constantly increasing costs. Such reduced price level is dictated by the necessity to meet the challenge of low-priced imports from Europe, Africa and Japan.

The efforts expended in marketing in recent years have had gratifying results in stability of operations and improved earnings. In 1959, the year which marked the adoption of a program of product diversification, chromium-based ferroalloys and exothermic ferroalloys accounted for approximately 81% of the Corporation's sales volume. In the current year, such ferroalloys accounted for approximately 30% of the Corporation's sales volume while the balance of the sales was generated from manganese-based and silicon-based ferroalloys.



EARNINGS

Earnings before income taxes and special credit were \$1,585,166, equal to 7.88% of net sales, compared to \$520,977, equal to 2.83% of net sales for the previous fiscal year. Income taxes which would have been payable were it not for prior years' losses amounted to \$876,893



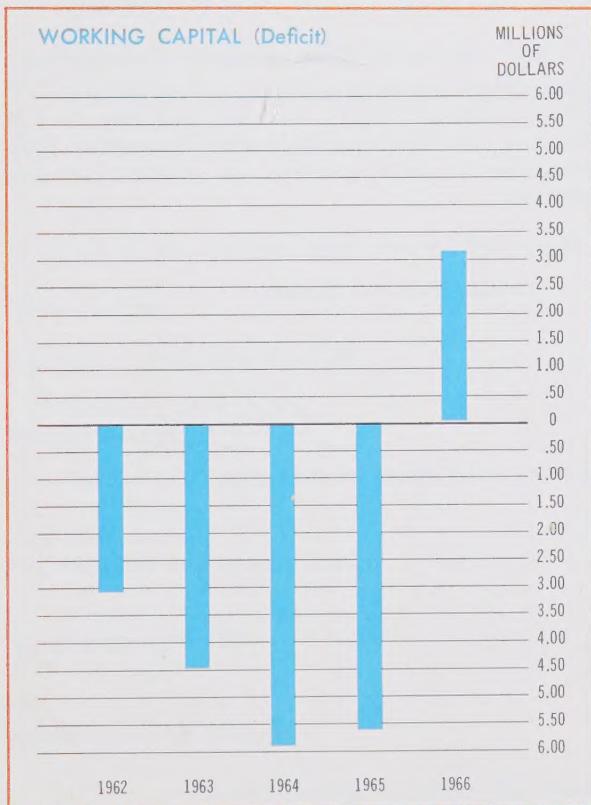
while income taxes paid for the year ended April 30, 1965, were \$269,049.

Consolidated net earnings after all deductions and after giving effect to the special credit resulting from the carry-forward of prior years' losses amounted to \$1,601,329 compared to \$251,928 for the previous year.

FINANCIAL

Your Corporation has laboured for many years under the heavy burden of substantial liabilities in the form of bank loans and funded indebtedness. To reduce such bank and funded indebtedness, and the large amounts of interest payable thereon, as well as to eliminate the deficits in working capital and earned surplus, steps were taken during the year to refinance the Corporation by the infusion of additional capital.

On December 20, 1965, Supplementary Letters Patent were issued to the Corporation



rendering effective a special resolution passed by the Board of Directors on November 10, 1965, and confirmed by the Shareholders on December 6, 1965, to provide for the implementation of a plan for the refinancing of the Corporation. Details of the plan of refinancing and special resolution are set forth in Note 4 to the financial statements.

Working capital totalled \$3,112,748 compared to a working capital deficit of \$5,656,172 at the end of the previous fiscal year. The substantial improvement in working capital of \$8,768,920 was due principally to the implementation of the Corporation's plan of refinancing and the favourable net earnings from operations for the year.

The statement of source and application of funds which accompanies this report sets forth the details of the changes in working capital. You will note from such statement that the source of funds of \$9,422,448 was composed of the proceeds of the Corporation's plan of refinancing and a loan from an affiliated company totalling \$7,000,000, net earnings and charges against earnings which did not require the outlay of funds of \$2,217,322 and the proceeds of the sale of property, plant and equipment of \$205,126.

PROPERTY, PLANT AND EQUIPMENT

Expenditures for property, plant and equipment during the year aggregated \$275,500. These expenditures, for general plant development, were made to improve operating efficiency and to increase plant productivity.

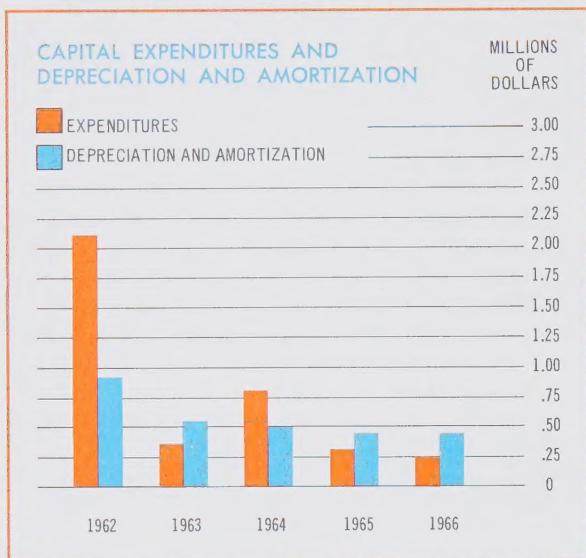
During the year, on the recommendation of Management, the Corporation's domestic chrome ore mine, which has been on a shutdown basis for a number of years, was written down to a nominal value by a charge of \$816,246 to earned surplus. Mining claims owned by the Corporation in Canada will continue to be held in good standing.

The mining claims of the Corporation's subsidiary in Southern Rhodesia also have been written down to a nominal value by a charge of \$53,497 to earnings. A number of these claims have no further value to Chromium Mining &

DIRECTORS' REPORT — Cont.

Smelting Corporation, Limited and subsidiary companies and will be disposed of in due course.

The property and plant of the United States subsidiary company, at Riverdale, Illinois, were sold during the year. This facility was permanently shut down on May 31, 1964, as part of the Corporation's program of plant consolidation.



OPERATIONS

The steel industry continued to operate at a high level of its rated capacity. The resultant high production rate attained at your Corporation's two facilities was an important factor in the improved operating efficiency that we are pleased to report. Of particular interest was the successful operation achieved at the Memphis facility. This integrated production unit has been raised to an improved level of efficiency.

Your Corporation will continue its efforts to reduce costs and increase earnings through a vigorous campaign aimed in this direction.

OUTLOOK

Your Directors remain confident of the future of the ferroalloy industry and your Corporation's

participation in it. The long range demand for our products appears to be encouraging. However, the industry faces the constant menace of the importation of ferroalloys from sources beyond the confines of the North American continent and the inflationary trends which presently prevail in the United States and, more particularly, in Canada.

SHAREHOLDERS' ANNUAL MEETING

The Shareholders' Annual Meeting will be held in the Conference Room of the Bank of Montreal, Stock Exchange Branch, Place Victoria, Montreal, Quebec, at 12:00 o'clock noon (Eastern Daylight Saving Time) on Monday, the 8th day of August, 1966. Formal Notice of this Meeting, together with an Instrument of Proxy, is enclosed with this report.

* * *

The Directors take pleasure in expressing their grateful appreciation to all employees for their combined efforts and fine response to the needs of the Corporation during the year. Such contributions made possible the excellent results obtained.

On behalf of the Board,

Chairman of the Board

President and General Manager

June 30, 1966.

CHROMIUM MINING & SMELTING CORPORATION, LIMITED
And Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED APRIL 30, 1966

(with comparative figures for the year ended April 30, 1965)

	1966	1965
Net sales	\$20,125,372	\$18,441,894
Cost of goods sold and selling, administrative and general expenses	17,213,817	16,610,779
Earnings from operations before the undernoted	2,911,555	1,831,115
 Other expenses		
Interest on notes and bonds	165,210	139,600
Other interest	440,539	571,177
Employees' pension funds (Note 6)	139,819	114,893
Directors' fees	12,000	12,000
Depreciation and amortization	455,726	451,754
Amount written off patent rights and development expenses	59,598	20,714
Amount written off mine claims	53,497	—
	1,326,389	1,310,138
Earnings before income taxes and special credit	1,585,166	520,977
Income taxes	876,893	269,049
Earnings before special credit	708,273	251,928
 Special credit		
Income tax reduction resulting from carry-forward of prior years' losses	893,056	—
Net earnings and special credit	\$ 1,601,329	\$ 251,928

The accompanying notes are an integral part of these financial statements.

CHROMIUM MINING & SMELTING CORPORATION, LIMITED

(Incorporated under the laws of the Province of Ontario)

And Subsidiary Companies

CONSOLIDATED BALANCE

(with comparative figures)

A S S E T S

CURRENT ASSETS

	1966	1965
Cash	\$ 70,532	\$ 119,633
Accounts receivable	2,581,740	2,173,173
Inventories		
Raw materials and supplies at cost which approximates replacement cost	1,337,573	939,090
Work in process and finished products at lower of cost or net realizable value	2,863,116	2,428,977
Prepaid expenses	206,340	257,371
TOTAL CURRENT ASSETS	7,059,301	5,918,244

PROPERTY, PLANT AND EQUIPMENT (Note 2)

Land, buildings, leasehold improvements and equipment at cost	10,190,145	10,815,929
Less: Accumulated depreciation and amortization	4,678,630	4,886,287
	5,511,515	5,929,642

OTHER ASSETS

Approved on behalf of the Board:

NOÉ A. TIMMINS, Jr., Director.

J. THOMAS TIMMINS, Director.

\$12,570,816

\$12,780,668

The accompanying notes are an integral part of these financial statements.

HEET — APRIL 30, 1966
 at April 30, 1965)

LIABILITIES

CURRENT LIABILITIES

	1966	1965
Bank indebtedness (Note 3)	\$ 1,187,878	\$ 9,517,505
Accounts payable and accrued liabilities	2,480,125	1,733,017
Accounts payable to affiliated companies	52,592	30,500
Dividend payable	56,875	—
Income taxes	85,562	195,000
Taxes other than income taxes	83,521	96,761
Accrued interest on mortgage bonds	—	1,633
TOTAL CURRENT LIABILITIES	3,946,553	11,574,416

NOTES PAYABLE TO AFFILIATED COMPANY

Five per cent note due May 31, 1966 (Note 4)	—	2,400,000
Five and one-half per cent note due May 31, 1967	2,000,000	—
	2,000,000	2,400,000

FIVE PER CENT REDEEMABLE MORTGAGE BONDS

Due October 1, 1968 (Note 4)	—	392,000
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SHAREHOLDERS' EQUITY (Note 4)

Capital stock		
Preference shares		
Authorized		
32,500 7% cumulative redeemable preference shares of \$100 par value (redeemable at \$103.50)		
Issued and fully paid		
32,500 shares	3,250,000	—
Common shares		
Authorized		
6,000,000 common shares of no par value		
Issued and fully paid		
3,420,000 shares (Note 5)	2,956,252	5,001,000
Earned surplus (deficit)	418,011	(6,586,748)
	6,624,263	(1,585,748)
	\$12,570,816	\$12,780,668

CHROMIUM MINING & SMELTING CORPORATION, LIMITED

And Subsidiary Companies

CONSOLIDATED STATEMENT OF SURPLUS (DEFICIT)

FOR THE YEAR ENDED APRIL 30, 1966

(with comparative figures for the year ended April 30, 1965)

	<u>1966</u>	<u>1965</u>
EARNED		
Balance at beginning of year	(\$6,586,748)	(\$6,955,094)
Add:		
Net earnings and special credit	1,601,329	251,928
Depreciation adjustment applicable to prior years	—	116,418
Reduction of issued capital (Note 4)	4,836,748	—
Transfer from contributed surplus (Note 4)	1,750,000	—
	<u>1,601,329</u>	<u>(6,586,748)</u>
Deduct:		
Exchange adjustment applicable to prior years (Note 1)	310,197	—
Write-down of mine claims, development and buildings	816,246	—
Dividend on preference shares	56,875	—
Balance at end of year	<u>\$ 418,011</u>	<u>(\$6,586,748)</u>
CONTRIBUTED (Note 4)		
Balance at beginning of year	\$ —	\$ —
Add:		
Voluntary contribution	1,750,000	—
	<u>1,750,000</u>	<u>—</u>
Deduct:		
Transfer to earned surplus	1,750,000	—
Balance at end of year	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements.

CHROMIUM MINING & SMELTING CORPORATION, LIMITED
And Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED APRIL 30, 1966

(with comparative figures for the year ended April 30, 1965)

SOURCE OF FUNDS

	1966	1965
Net earnings and special credit	\$1,601,329	\$ 251,928
Depreciation, amortization, and other charges against earnings which did not require the outlay of funds	615,993	461,894
Total from operations	2,217,322	713,822
Sale of property, plant and equipment	205,126	32,780
Loan from affiliated company	2,000,000	—
Voluntary contribution	1,750,000	—
Issue of preference shares	3,250,000	—
	<u>9,422,448</u>	<u>746,602</u>

APPLICATION OF FUNDS

Investment in property, plant and equipment	275,500	344,923
Dividend on preference shares	56,875	—
Exchange adjustment applicable to prior years	310,197	—
Miscellaneous	10,956	63,020
	<u>653,528</u>	<u>407,943</u>
Increase in working capital	\$8,768,920	\$ 338,659
Working capital (deficit) at beginning of year	(\$5,656,172)	(\$5,994,831)
Increase in working capital for the year	8,768,920	338,659
Working capital (deficit) at end of year	<u>\$3,112,748</u>	<u>(\$5,656,172)</u>

The accompanying notes are an integral part of these financial statements.

CHROMIUM MINING & SMELTING CORPORATION, LIMITED
And Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — APRIL 30, 1966

- 1.** Current assets and current liabilities of foreign subsidiaries have been converted to the Canadian dollar equivalent at the exchange rates prevailing as at April 30, 1966. As of such date, the United States dollar was at a premium of approximately 7-5% in terms of the Canadian dollar and the Rhodesian pound was equal to approximately \$2.99 Canadian.

As at April 30, 1965, the current assets and current liabilities of the United States subsidiary were included in the financial statements on the basis of \$1 United States funds equivalent to \$1 Canadian funds. During the year under review, such accounts were converted to the Canadian dollar equivalent at the exchange rate prevailing as at April 30, 1965, the exchange discount of \$310,197 resulting therefrom and applicable to prior years being charged to the earned surplus account.

Net property, plant and equipment have been converted as follows:

United States dollars at a value of \$1 United States for the Canadian dollar;

Rhodesian pounds at a value of one pound Rhodesian for \$2.73 Canadian.

Earnings of foreign subsidiaries have been converted to the Canadian dollar equivalent at the exchange rates prevailing as at April 30, 1966 except that depreciation and amortization provisions have been restated on the same basis as the related capital assets.

- 2.** A summary of the cost of property, plant and equipment and related accumulated depreciation and amortization is as follows:

	April 30, 1966	April 30, 1965
	Accumulated depreciation and amortization	Accumulated depreciation and amortization
	Cost	Cost
Land	\$ 50,809	\$ 74,253
Buildings and property improvements	2,729,959	3,325,549
Machinery and equipment	7,094,964	7,127,045
Leasehold improvements	234,982	234,192
Construction in progress	79,431	54,890
	<hr/> <u>\$10,190,145</u>	<hr/> <u>\$4,678,630</u>
	<hr/> <u>\$10,815,929</u>	<hr/> <u>\$4,886,287</u>

- 3.** Bank indebtedness is partly secured by pledge of accounts receivable and inventories.
- 4.** On December 20, 1965, Supplementary Letters Patent were issued to the Corporation rendering effective a special resolution duly passed by the Board of Directors on November 10, 1965, and duly confirmed by the Shareholders on December 6, 1965, to provide for the implementation of a plan for the refinancing of the Corporation. Thereafter, effect was given to the plan of refinancing and special resolution in such manner that:
- (a) the previously existing shares of the Corporation, both issued and unissued, were designated common shares;
 - (b) the previously issued capital of the Corporation was reduced to \$164,252 by the cancellation of \$4,836,748;
 - (c) the authorized capital of the Corporation was increased by the creation of:
 - (i) 32,500 7% cumulative redeemable preference shares of the par value of \$100 each; and
 - (ii) 4,000,000 common shares without nominal or par value;
 - (d) the Principal Shareholder contributed to the Corporation, by way of a voluntary contribution, an amount of \$1,750,000;
 - (e) the Corporation allotted and issued as fully paid and non-assessable to the Principal Shareholder:
 - (i) 32,500 7% cumulative redeemable preference shares of the par value of \$100 each of the capital stock of the Corporation for and in consideration of the sum of \$3,250,000; and
 - (ii) 2,273,350 common shares without nominal or par value of the capital stock of the Corporation for and in consideration of an amount of \$2,792,000 which was satisfied through the surrender for cancellation of the outstanding Note of this Corporation in the principal amount of \$2,400,000 and of the outstanding redeemable mortgage bonds in the aggregate principal amount of \$392,000;
 - (f) the amount of \$4,836,748, by way of reduction in the issued capital, and the amount of \$1,750,000, by way of voluntary contribution, were transferred and credited to the earned surplus (deficit) account of the Corporation;
 - (g) the cash proceeds of the voluntary contribution from the Principal Shareholder and of the allotment and issue of the 7% cumulative redeemable preference shares aggregating \$5,000,000 were applied in reduction of outstanding bank loans of this Corporation and its subsidiary, Chromium Mining and Smelting Corporation.
- 5.** The Corporation has granted options to certain officers and employees to purchase common shares of the capital stock of the Corporation, such options being valid for a period of five years from dates of granting. As at April 30, 1966, options in respect of 33,125 shares were outstanding at prices ranging from \$1.50 to \$1.87 per share with expiry dates ranging from October 1967 through December 1970.
- 6.** Current service costs of employees' pension plans were charged to earnings during the year under review. Unfunded past service cost for the Parent Corporation's pension plan, as determined by an independent actuary, was approximately \$140,000 at April 30, 1966 and is being funded by annual payments over a period of twenty-five (25) years. Unfunded past service costs for the United States subsidiary company's employees' pension plans, as determined by an independent actuary, were approximately \$441,000 at April 30, 1966. The interest on such unfunded past service costs was charged to earnings during the year under review. The unfunded amounts are subject to continuance of the plans and the terms and conditions of the pension plan agreements.
- 7.** A subsidiary company has a substantial unused loss carry-forward from 1965 and prior years' operations, which may be used for United States income tax purposes to offset taxable earnings of that subsidiary in the period 1967-1970.

CHROMIUM MINING & SMELTING CORPORATION, LIMITED
And Subsidiary Companies

AUDITORS' REPORT

To the Shareholders
CHROMIUM MINING & SMELTING CORPORATION, LIMITED

We have examined the accompanying consolidated financial statements of Chromium Mining & Smelting Corporation, Limited and subsidiaries for the year ended April 30, 1966 comprising the consolidated balance sheet as at that date and the consolidated statements of earnings, surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned statements present fairly the financial position of the companies as at April 30, 1966 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants.

Montreal 2, Quebec
June 17, 1966

CHROMIUM MINING & SMELTING CORPORATION, LIMITED

And Subsidiary Companies

PRODUCTION, RESEARCH AND SERVICE

PLANTS

BEAUHARNOIS, QUEBEC — Smelter plant

MEMPHIS, TENNESSEE — Smelter, refining and
finishing plant and research

SALES OFFICES

MONTREAL, QUEBEC

3720 Place Victoria,
Montreal 3, Quebec
Telephone 866-5344

CHICAGO, ILLINOIS

11431 South Halsted Street,
Chicago, Illinois 60628
Telephone 928-9800

PITTSBURGH, PENNSYLVANIA

Three Parkway Center, 875 Greentree Road,
Pittsburgh, Pennsylvania 15220
Telephone 921-2703

WAREHOUSES

Sault Ste. Marie, Ontario
Hamilton, Ontario
Beauharnois, Quebec
Buffalo, New York

Pittsburgh, Pennsylvania
Chicago, Illinois
Memphis, Tennessee
Detroit, Michigan

PRINCIPAL PRODUCTS

SILICON ALLOYS

50% Ferrosilicon
65% Ferrosilicon
75% Ferrosilicon
85% Ferrosilicon
Magnesium Ferrosilicon
Sil-X

MANGANESE ALLOYS

Medium Carbon Ferromanganese
Nitrided Ferromanganese
Standard Ferromanganese
Silicomanganese
Man-X-1
Man-X-6

CHROMIUM ALLOYS

Charge Grade Ferrochrome (70)
Blocking Grade Ferrochrome
Low Carbon Ferrochrome
Ferrochrome Silicon
Chrom-X-4
Chrom-X-25-6.25
Chrom-Sil-X
Chrom-X-05

CHROMIUM MINING & SMELTING CORPORATION, LIMITED
And Subsidiary Companies

CHROMASCO

Quality
Ferroalloys



Designed for use in Steel Plants and Foundries

